GST Council on MSMEs

Why in news?

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The GST Council has recently proposed certain measures to ease the issues of Micro, Small and Medium Enterprises (MSMEs).

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What are the proposals?

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- **MSMEs** - A six-member panel of ministers would be set up to look into the issues in the MSME sector.
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- It will be headed by the Minister of State (MoS) for Finance.
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- **Taxation** - The Law Committee will take decisions related to taxation law.
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- On the other hand, the *Fitment Committee* will take decisions related to taxation rates.
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- **Digital Payments** - It was proposed to incentivise digital payments through Rupay cards, BHIM app and UPI system on trial basis.
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- A 20% cashback will be available on digital payments through these mediums.
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- Customers would get cashback of 20% of the total GST amount, subject to a maximum limit of Rs 100.
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- This is to promote cashless transactions in rural and semi-urban areas and help small firms.
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- The GSTN and the National Payments Corporation of India will soon develop a system for the above.
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- States will volunteer to run a pilot on these lines.

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- A final decision will be taken after a detailed system-wide evaluation of such incentives.
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What is the significance?

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- There were many implementation concerns in the MSME sector ever since the roll out of GST.
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- Firms with an annual turnover of less than Rs. 5 crore constitute 93% of the registered taxpayers under the GST.
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- GST has notably been a major hindrance to the smooth functioning of this large proportion of small firms.
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- The proposed ministerial panel may recommend further easing of compliance for micro firms.
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- It may also enhance the Rs. 50,000 threshold for mandatory use of e-way bills.
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- It is thus expected to facilitate the growth of MSME sector in many ways.
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Source: Business Standard, The Hindu

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Quick Fact

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Fitment Committee

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- The rate fitment committee comprises of tax officials of the central and state governments.
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- Its task is to evolve a principle and an appropriate methodology to determine rates for various supplies under GST.
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